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Islamic Microfinance System and Poverty Alleviation in Somaliland

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University of Hargeisa
Faculty of Business Administration

**ISLAMIC MICROFINANCE SYSTEM AND POVERTY
ALLEVIATION IN SOMALILAND**

Submitted By: Abdiqadir Mohamoud Yonis



**ISLAMIC MICROFINANCE SYSTEM AND POVERTY
ALLEVIATION IN SOMALILAND**

**A RESEARCH PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE
ACADEMIC AWARD OF THE DEGREE OF
BACHELOR OF BUSINESS ADMINISTRATION IN
ACCOUNTING**

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ABSTRACT

Poverty prevalence dates back to the existence of human being and today it has occupied foremost place on human development agendas of virtually all countries of the world. In the Republic of Somaliland it has been a main challenge since the restoration of independence in 1991 and its alleviation is in the first pillar of the National Development Plan (NDP) and National Vision 2030, and also one of the country's strategic goals to achieve MDGs by 2015 to fight poverty and improve the standard of living of underprivileged population. Nonetheless, actual achievements are still limited.

Islamic Microfinance which involves Shari'ah-compliant way of financing and providing credit without collateral or any property for guarantee to the marginally poor (too poor to have access to banks) for their business, is one of the most popular tools employed as part of a poverty reduction strategy, empowering and increasing the productivity of poor, giving social benefits to them in a sustainable way, and aiding economic development. However, in Somaliland it still remains fairly the same effect over the years due to misconceptions in Shari'ah-compliance, the institutions lagging behind and the like.

This study determined the role of the Islamic microfinance in poverty alleviation efforts in Somaliland and how this role can be enhanced. It was intended to establish and recommend Islamic microfinance and its principles that could raise poverty reduction and economic development in the country. This was in view of the fact that conventional microfinance that charges the prohibited interest cannot be used by and for the Somaliland population which are 100% Muslims.

The study was conducted through descriptive survey research design; data was collected in April 2012 to June 2012, using questionnaire, interview and document review techniques from two Islamic Financial Institutions of Kaaba Microfinance Institution and Salaam Financial Services, data was analyzed using descriptive quantitative methods and presented in tables and figures.

The paper finds that the two institutions have envisaged, as their prime objectives, to serve to the vulnerable poor and to have positive impact on their incomes. However, it concludes that the institutions partially address in practice the issue of financial exclusion of the poor. They do not tap the wide variety of financial products and services which comply with Islamic law for the benefit of their clients particularly the hardcore poor and limited attention is paid to targeting the poor with their needs of financial services and products.

This research recommends that the government should establish an enabling framework for the institutions providing Islamic microfinance, and K-MFI and Salaam Financial Services should intensify their contribution to poverty alleviation by incorporating new pro-poor financial development policies and by expanding their financial activities into rural areas. Donor agencies including UN and other INGOs to make their income-generating activities in line with Shari'ah and comply with national policies in improving the standard of living of the poor people.

CHAPTER ONE INTRODUCTION

1.1 Background of the Study

Allah (SWT) is the sole creator of this vast universe and whatever it contains. He created man as a master piece of His creation and elevated him to be His *Khalifa* on earth. He made all physical systems and other creations to cater human needs from the time immemorial. It is an Islamic value that every citizen in the Muslim countries is required not only to take into account the enhancement of *Ummah*'s wellbeing but also to make necessary arrangements for the satisfaction of his material needs through efficient utilisation of resources and equitable distribution of goods and services and also to fully protect them from all kinds of fear besides the fear of poverty and starvation.

Fighting poverty is the responsibility of individuals, governments, and related organizations. Islamic economic system lays the principles of poverty elimination and there is plenty evidence in *Quran*, *Sunnah*, and practice of *Khalifs* to provide food, social security as well as access to finance to each and every individual in an Islamic economy. Pointing to this fact, an *Ayah* of *Quran* enjoying upon *Quraish* to worship Allah because He has protected them both from starvation and fear by granting them food and peace¹. Similarly a *Hadith* says that *a society where a Muslim has to starve is forsaken by Allah*². The first four *Khalifs* were fully conscious of their obligation towards meeting the needs of poor. *Umar Ibn Khadab* (RA) declared, "*if a camel dies at the bank of Euphrates, I am afraid Allah would make me accountable for it*".³

The overwhelming stress on satisfaction of basic needs and social security both of current and future generations leaves no justification for the prevalence of widespread poverty in Islamic framework. As a matter of fact, Islam and absolute poverty cannot persist together because Islam is a viable system that can respond and consequently eliminate poverty through its socioeconomic, cultural and political mechanisms and principles.

A really shameful situation emerges when abovementioned Islamic commitment is put next to along with pervasive poverty in Muslim world comprising of over a billion people and with impressive energy reserves like oil supplies but still faces crippling levels of poverty and increasing inequalities between haves and have-nots. Since it is estimated that over 1/3 of the world's poor are Muslims (CIA World Factbook 2010 and Economist 2008), and also that about 35% of the world's 1.2 billion Muslims are poor.

¹ *Quran*: (106:3-4).

² Al.-Hakim, al.-*Mustadrak ala as Sahihayan*, Vol. 2. p.12.

³ Muhammad Ibn S'ad al.-*Tabqat al.-kubra*, Beriut. Vol. 3. p.305.

In recent years microfinance has emerged as an important instrument to relieve poverty in the developing countries. Today there are more than 7000 micro lending institutions providing loans to more than 25 million poor individuals across the world.⁴ Professor Mohammad Yunus, the founder of Grameen Bank in Bangladesh and the originator of the concept of microfinance, believes that 5% of Grameen Bank's clients exit poverty each year. So the success of microfinance institutions (MFIs) in Asia such as the Grameen bank, has led to the rapid expansion of similar programs in all over the world.

The role of Islamic values and principles were well documented theoretically but not empirically. Today many researchers have shifted their focuses on understanding the complex dynamic of poverty alleviation towards Islamic point of view. Since their inception in the mid 1975s, Islamic Financial Institutions (IFIs) have considered poverty alleviation as one of their major areas of interest. However these successes lead to the new and emerging approach which is introducing interest-free microfinance (*Islamic Microfinance*). Since the fact is Microfinance can only success in every Muslim country if it is *Shari'ah*-compliant. As in Islam, charging interest (*Riba*) is prohibited because by Islamic teachings, money is not an asset for earning profit and thus interest cannot be used by and for the Muslims.

In Somaliland, Kaaba Microfinance Institution (K-MFI) and Salaam Financial Services have actually been able to reach the economically active poor with their financial services in both urban and rural areas, therefore, the researcher wished to shed some light on the important concept of Islamic Microfinance (IMF) that substantially could enhance people's wellbeing and alleviate their vulnerability to poverty.

1.2 Problem Statement

People living in poverty need permanent access to the same type of financial services we all need: a safe way to save for life cycle events and to reduce vulnerability to shocks; access to appropriately designed credit for business opportunities; ways to transfer money, etc. For the poor these financial services often make the difference between continued poverty and moving out of poverty. These results are what the United Nations Millennium Development Goals (MDGs)⁵ is all about – reducing poverty, increasing education, and nutrition. It will require financial systems that do not exclude the poor, who have not access to the formal financial services. This means building financial systems that are inclusive, and this is the new vision for microfinance that is attractive to donors and financial institutions that interest to help the poor alike.

⁴ Estimate by the World Bank.

⁵ Targets to be achieved in 2015 for development in the world as a whole with special emphasis on poorer countries, and are viewed as a key indicator of and reference for socio-economic development.

However, Conventional microfinance services do not meet the needs of majority of Muslim population in developing countries like Somaliland. The reason is that conventional microfinance institutions charge interest on their loans provided to small and medium enterprises as well as women entrepreneurs. In addition a vast majority of Muslim population refrains from availing conventional microfinance services due to the element of interest that is considered repugnant or *Haram* according to *Shari'ah*.

Over 1100 million of the Muslim population is living below poverty line (less than \$2 per day).⁶ Thus in this scenario, it is extremely important to note that Islamic microfinance has tremendous potential in a country like Somaliland where 100% of the population are Muslims and could be used as a powerful weapon to fight against poverty. It can develop a valuable human capital base by satisfying the financial needs of the society and positively contribute towards their economic growth.

Therefore, Combining the Islamic social principle of caring for the less fortunate with microfinance's power to provide financial access to the poor has the potential to reach out to millions more people, many of whom say they would prefer Islamic products over the *Haram* conventional microfinance products

1.3 Purpose of the study

The purpose of this paper is to investigate the impact of the *Shari'ah*-compliant Microfinance (or simply Islamic Microfinance) on poverty and how it contributes to the wider efforts to alleviate and consequently eliminate poverty in low income individuals and households in Somaliland. More emphasis is placed on the relationship between microfinance activities and poverty alleviation in selected IFIs of K-MFI and Salaam Financial Services in Hargeisa.

1.4 Objectives of the Study

1.4.1 General Objectives

Poverty is a complex phenomenon, a consequence of lack of growth and inequality. Effective policies require technical and empirical understanding of poverty that is combined with efficient institutions and a supportive system of social values. This research is focused on methods used by both K-MFI and Salaam Financial Services through which socioeconomic policies and programmes dealing with poverty elimination are assessed. Hence, the researcher is interested to identify what Microfinance services offered by these IFIs done to help the poor and its influence on beneficiaries and how they can be more active in this regard.

⁶ Estimate in the report of the 2011 International Conference on Islamic Microfinance held in Islamabad

1.4.2 Specific Objectives

The overall aim of this paper is to investigate how the Islamic Microfinance System and its products contribute to the provision of financial services to the poor, alleviating poverty, empowering the poor and consequently to the efforts of sustainable development.

The specific objectives of this paper are:

- To examine the nature of the institutions offering IMF services of K-MFI and Salaam Financial Services, their mission and their main target groups.
- To identify the kind and variety of both the financial and non-financial services the institutions provide and to ensure their *Shari'ah*-compliance.
- To evaluate the Institutions' lending schemes, microfinance model, clients' satisfaction level, screening of fund usage and repayment schedules.
- To investigate their contribution on the social capital, poverty reduction and empowerment of their client members.

1.5 Significance of the Study

The study is expected to improve the practice of Islamic Microfinance because it highlights and provide a better understanding to IMF programs and how IFIs can contribute to the alleviation of poverty. It is hoped also that this study will be useful to the UN agencies involved in the efforts related to the implementation of MDGs to identify proper ways to alleviate poverty and to use the only applicable *Shari'ah*-compliant microfinance services to the poor in Somaliland where the total population are Muslims. The policy makers such as Somaliland Government will also find this study useful because it highlights on the areas and roles that the government can play in the fighting against poverty.

This study should contribute valuable knowledge to the existing information or literature in the field of Islamic finance in general. It is the only study that has focused on interest-free *Shari'ah*-compliant microfinance in Somaliland. As such, it is expected to produce up till now unavailable knowledge on this subject. The findings should therefore form a useful material for reference that may be used by academicians, researchers who may wish to carry out further studies on a related subject and other readers in general.

This study is also expected to suggest significant policy statements through its recommendations. The study will make recommendations on the modes of financing in Islamic microfinance, *Shari'ah* supervisory board and importance of *Shari'ah* audits. Such recommendations could inform policy formulations in the Islamic financial institutions, and other institutions in general.

This study should also influence the practice of poverty reduction strategies in Somaliland. In an attempt to deal with poverty, and its related problems, the stakeholders will focus on specific issues of Poverty Reduction Strategies (PRSs) generated through research. Therefore, the use of such specific knowledge will improve the efforts aimed at poverty alleviation.

At last but not least, this paper is also important for the researcher to fulfill a partial requirement for the award of BBA degree in Accounting by the University of Hargeisa.

1.6 Scope of the Study

1.6.1 Content Scope

This study on Poverty alleviation through Islamic microfinance system was drawn from the field of Islamic finance and it concerns and concentrated specifically on examining and seeking to establish the extent to which IMF programs of selected IFIs have contributed to the local efforts to alleviate poverty and will lead to the achievement of global MDGs agenda in Somaliland.

1.6.2 Geographical Scope

This study is confined to microfinance activities of Kaaba Microfinance Institution and Salaam Financial Services, where the sample data will be collected. Specifically, the study was conducted in Hargeisa city the capital of Somaliland, the area was selected because the IFIs in Somaliland are headquartered in Hargeisa and the small and medium sized enterprises in this area use IMF services.

1.6.3 Time Scope

As the research paper guideline of the faculty indicates, in terms of time the study was limited to three months from April 2012 to June 2012.

1.7 Organization of the Paper

This paper has been organized in such a logical manner that the first chapter examines background of the study, problem statement, objective of the study etc,. The second chapter is the up- to- date information in great detail which is the literature review. The third chapter is about the research methodology and procedures used. The fourth chapter is discussion and analysis part which is the result of the questionnaires. In the fifth chapter and the final is the conclusion and recommendations based on the findings obtained. The paper is finalized with bibliography and appendices.

CHAPTER TWO LITERATURE REVIEW

2.1 Poverty

2.1.1 Introduction

Poverty prevalence dates back to the existence of human being. Poverty has occupied foremost place on human development agendas of virtually all countries of the world. However, none of nation other than that of *Khalif omar Bin Abdel Aziz*⁷, given history, succeeded in eradicating poverty effectively. It was evident in the time of Abdel Aziz that Islamic economic system and its concerned ideals was an effective instrument for poverty eradication, but the yielding of better outcomes can be possible only in a conducive environment. That is why, in modern times Muslim world does struggle to resume what *Omar Bin Abdel Aziz* did then. It is a matter of offering an appropriate environment that will promote the implementation of Islamic-based economic principles leading to poverty alleviation (Abdelhak, 2011).

Today widespread poverty is one of the major problems of mankind and its alleviation one of her major agendas. In 2005, according to the World Bank, 16.1 percent of the world's population lived on less than 1 US dollar a day (which corresponds to absolute or monetary poverty) and 57.6 percent lived on less than 2.5 US dollar a day. In recent years the Islamic world which is enormous with over 1.2 billion people, stretching from Senegal to the Philippines have poverty rate which is quite high in all Muslim countries except a few countries in Southeast Asia and the Middle East. Poverty levels have also been associated with high inequality alongside low productivity. Half of the Indonesia population (about 129 million) is living below the poverty line of US\$2 a day. While in South Asia two largest Muslim states - Bangladesh and Pakistan – alone account for 122 million each living below the poverty line where as 100 million Muslims of India are also living below the poverty line (IRTI, 2007, p.18).

2.1.2 The meaning of poverty and its measurement

2.1.2.1 Defining Poverty

Poverty is one of the vital concerns in most countries whether developed, developing or less developed. Some of the basic issues that need to be identified before discussing poverty alleviation in general or according to the Islamic faith are: what is meant by poverty, why there are poor people, and how they can be identified.

⁷ When the authorities collected *Zakah* and there was no poor to be given this *Zakah*. Therefore Omar Bin Abdel Aziz asked to distribute this money of *Zakah* to those people who have debt, people who are going to marry, and to free slaves in Africa and so on.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

This study was conducted through descriptive survey research design. Survey research is an oriented methodology used to investigate populations by selecting samples to analyze and discover situations. Survey research is ideally suitable for studies that are testing accepted explanations. In this study, the previous explanation that Islamic microfinance contributes to poverty alleviation in other countries was considered. The researcher therefore traced through survey on how that fact is applicable to Somaliland. The after-the-fact studies are the domain of survey research. Survey research enabled the researcher to substitute for a test to predict and explain how the selected Islamic financial institutions can take part in poverty alleviation efforts of Somaliland.

3.2 Population and Sampling

3.2.1 Target Population

The target population consisted of all current and prospective microfinance providers in Somaliland. This has been chosen because the overwhelming majority of microfinance in Somaliland are not financially self-sustaining and remain dependent on external funding mainly provided through income-generating projects by the donor agencies subsidies including UN and other INGO's. In view of the fact that the availability of acceptable means (*Shari'ah*-compliant products) of financing in the financial sector is crucial to the success of the whole economic development efforts in this country, the researcher felt that this study provides an input to the income-generating activities.

3.2.2 Sample

The sample consisted of two institutions, one financially self-sustaining and the other is depending on donor agencies subsidies. This has been chosen because these institutions are the only providers of Islamic microfinance products in Somaliland.

3.2.3 Sampling Technique

This study employed purposive sampling to select the sample size. The purposive sampling technique refers to the situation that the researcher decides who to include in the sample based on their typicality. It is mainly used to gather focused information and in this study it was used to collect from the individuals who had the requisite information. It is preferred for this study because it selects typical and useful cases only.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 A Survey Study on Salaam Financial Services

4.1.1 Background of the Organization

Salaam Financial Services got accreditation and incorporation from the government of Somaliland on April 12, 2010. However, its business operations have not yet full-fledged since the organization is undergoing its early development stages. Therefore, the greatest hurdle facing the organization is establishing their organizational framework, product developments, capturing their share in the microfinance markets of Somaliland etc.

Salaam Financial Services aims to develop financial and non-financial services modeled to gradually free its clients from wide-spread poverty and destitution. To realize that vision, the organization has laid down to pursue the following objectives:

- ✓ Positive impact on income of clients
- ✓ Outreach to the poor
- ✓ Financial sustainability of the institution
- ✓ Positive impact on education and social status of clients and their family
- ✓ Outreach to the poorest of the poor

Be that as it may, the activities and performance of Salaam Financial Services is influenced and greatly overshadowed by its parent company, Telesom. For example, to be eligible and have access to Salaam Financial Services the individual should bring a Telesom shareholder to stand as a guarantor.

On the other hand, Salaam Financial Services currently operates Hargeisa, Burao and Berbera. It has 3 operating branches (including the head office) active in the cities it operates with 4 loan officers and 30 employees.

The total clients served by Salaam Financial Services were 40 clients consisting of 36(90%) males and 4(10%) females. 14 clients, which are all males and first-time borrowers, are active clients who have access to the lending facilities of the organization.

Since the organizations is in its infancy, Salaam Financial Services have not yet operationalized the management tools to evaluate the repayment rates of its clients, thus, has not available information repayment status at the time of the study.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Discussion of Major Findings

A great deal of attention has been given to the theoretical aspect of the Islamic microfinance system, especially the study of the economics of the various well-known Islamic modes of financing. Yet, there has been little work focusing on the empirical impact of the Islamic microfinance system on poverty alleviation. The present study has made a modest attempt to analyze the performance of two Islamic financial Institutions namely, Salaam Financial Services and Kaaba Microfinance Institution.

The two institutions have succeeded to establish their operations in Somaliland. Currently, both Salaam Financial Services and K-MFI have branches at Hargeisa, Sahil and Gabiley regions. The size of institutions remain small, though variations exist between the institutions, in terms of the total clients served (40 for Salaam Financial Services and 5,000 for K-MFI), the number of the working staff (34 for Salaam Financial Services and 21 for K-MFI) and intensity of the institutions' penetrations in the areas they operate.

The findings show that in general the two institutions sought outreach to the poor and positive impact on clients' income as their main objectives. Salaam Financial Services target the poor as major parts of their clients (50% - 80%) whereas K-MFI seek the poor as an exclusive target (90% and above). Notwithstanding the crowned objectives of serving the target population, the institutions only partially address the issue of financial exclusion of the poor. Both the institutions had not defined target groups which identify their potential target members. Services were not strictly directed to a well defined set of clients which have unique selection (eligibility) criteria which differentiate the target and non-target groups. For all intent and purpose, Salaam Financial Services and K-MFI have been less successful in reaching the hardcore poor. These are thousands which are often undernourished, are marginalized in society and often unable to get financial supports.

The institutions under study had neither client empowerment facilities such as currently elected client representatives that voice the interest of the clients within and/or beyond the organizations nor social capital programs such as active spiritual development programs which contribute to the uplift and perfection of *mu'amalat* of the clients.

The results found in this study show that the principal Islamic financial modes used by the two institutions in their transactions essentially are the non-profit loss-sharing modes particularly *Murabaha* mode of financing (Salaam Financial Services also provides *Qard Hassan* services for their clients). These modes are in general less risky than the profit-

Yet, Salaam Financial Services and K-MFI are lagging behind the efficient outreach to the poor entrepreneurs. Their institutional frameworks are not flexible enough to incorporate and serve financial products to their target clients identified in their mission and objectives. Factors responsible and exacerbating afar for the said failures are lack of strong political support, limited institutional capacity and insufficient financial and human capital resources.

Furthermore, Salaam Financial Services and K-MFI encounter numerous challenges ranging from lack of proper institutional framework, lack of appropriate legal framework, lack of supportive policies and enabling environment, and lack of supervisory framework to insufficient teaching and training of clients and staffs, and absent of research and development of products and *Shari'ah* issues.

What is needed, for the institutions to become successful in their respective operations, is a systematic financial services approach to the issue of poverty alleviation under which, all sections of the society have access to appropriate, low-cost, fair and safe technical products and services from mainstream providers.

5.3 Recommendations

The researcher has argued in this report that if the poor had more access to financial services with a form of economic relief then they would be able to develop their economy and get it back on track. But unfortunately, the options of financial services for alleviating poverty in Salaam Financial Services and K-MFI are either inadequate or exclusive and they can only contribute to the poverty alleviation efforts if they define their target group along with understanding the wider concept of banking for the poor (from poverty to profit) which considers the fact that poor are in need for financial (and nonfinancial) services without the backing of physical collateral. Despite its limitations, it is against this background that the recommendations below are made. Basing generalizations on the findings of this study, the researcher recommends the following:

- To implement the National Development Plan (NDP)¹⁴ and to the realize the National Vision 2030¹⁵ and the Millennium Development Goals (MDGs), the government of Somaliland specially the parliament should enact the laws and policies governing the financial institutions including the National Microfinance

¹⁴ Five years (2012-2016) plan for full recovery and speedy development that focuses on sustainable development and poverty reduction to achieve rapid economic development and growth prepared by the Somaliland Ministry of National Planning and Development (MoNPD).

¹⁵ The road map for the country's long term development aspirations and goals for "*A stable, democratic and prosperous country where people enjoy a high quality of life*"

- Policy¹⁶ in order to establish enabling and effective framework to support institutions to reach their clients and to ensure microfinance services for the poor contribute effectively to the implementation of the national PRSs and policies.
- There is a need to establish national anti-poverty commission which increases resource mobilization by linking *Zakah* and *Waqf* to Islamic microfinance that will play a significant role in poverty alleviation efforts in the country.
 - Salaam Financial Services and K-MFI should organize themselves in a national microfinance forum in order to promote their participation in policy development adoption, review processes and enhance their institutional capacity at national levels and to seek memberships in effective international microfinance networks to cooperate in matters of common interest like – operational standardization (*fiqh* rulings, norms and procedures) and financial product development, resolution of divergence of views on *Shari'ah* compliance, development of resource center to share experiences, conducting training programs in microfinance facilitation.
 - Salaam Financial Services, K-MFI and prospective microfinance providers should adopt full-fledged *Shari'ah*-compatible products, processes and activities and they should be perceived to be so by their clients, but not like to behave like the bankrupted Amaah Kalkaal¹⁷ when in an attempt to lay a *Shari'ah*-compliant foundation to its activity and invited *Shari'ah* scholars from Kenya to develop them an Islamic loan scheme, they saw that the proposed scheme did not suit their thought as it disrupted their main principle (a simplified loan granting system without any excessive paperwork involved), as Islamic methods of financing require a more rigid attitude towards checking the applicant's solvency.
 - K-MFI should structure their operations so as to reduce and eliminate their dependence on subsidies and donor funds to become sustainable microfinance institution after donor support ends in order to enhance the income of poor, develop their microenterprises, build their assets gradually, manage their risks better and help them to enjoy an improved quality of life to the maximum degree.
 - Islamic microfinance providers must take into account and consider the effective modes of financing that are not only applicable to clients' situations and understanding but are also in line with the current social, economic and legal frameworks of the country.
 - Since Somaliland is an Islamic country and Islam has serious reservations against the charging of interest, donor agencies including UN and other INGOs providing income-generating activities and programs supporting microfinance in the country should make them in line with *Shari'ah* and comply with national policies.

¹⁶ Drafted by MP, Abdiqadir Askar Hassan with the Ministry of Commerce Industry and Tourism, but still not passed by the Somaliland parliament at the time of this study.

¹⁷ The first microfinance provider in Somaliland created in 1998 and was located in Hargeisa – see the paper “*Somaliland: Interest-free but not yet Shari'ah-compliant economy*” by Renet Bekkin, PhD in Law, senior researcher at the Institute for African Studies of the Russian Academy of Sciences.

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QUESTIONNAIRE



University of Hargeisa Faculty of Business Administration

Dear Sir/Madam,

My name is *Abdiqadir Mohamoud Yonis*, currently I am a senior student at the University of Hargeisa pursuing BBA degree in Accounting. As an academic requirement I am conducting a field research on ***“Islamic Microfinance System and Poverty Alleviation in Somaliland”***. As part of my research work I have to collect relevant information through the tools of questionnaires and interviews.

Your institution has been identified as a valuable source of information pertaining to my research project. I would very much appreciate the participation of your institution in this survey and I am kindly requesting you to answer the entire questionnaire as fully as possible.

Any information you provide will be used for an academic purposes only and I promise to share my findings with your institution. I assure you that the data you provide shall be kept with utmost confidentiality.

Thank you very much in advance,

Yours truly,

Abdiqadir Mohamoud Yonis

Email: abdibuureed@gmail.com

Mobile: +252 63 4470055

GENERAL INFORMATION		
1.	I. Name of the Institution..... II. Year established.....	
2.	a) What is your operation area (<i>please tick where is applicable</i>) <input type="checkbox"/> Rural <input type="checkbox"/> Urban b) How many regions in Somaliland do you operate? Please specify their name(s): c) Total radius (km to furthest customer)km	
3.	I. Number of branches and other units (including head office)..... II. Number of employees..... III. Number of loan officers.....	
4.	a) Since the registration of the institution, what are the i. Total clients served..... ii. Percent of female clients.....% b) In the last reporting year, what are the: i. Percent of active clients% ii. Percent of repeated clients.....% iii. Percent of first-time clients.....%	
5.	I. Total amount of accumulated disbursed loans USD\$..... II. Total amount of outstanding loans USD\$.....	
6.	In the last reporting year, what is the: i. Percent of total loan repayment.....% ii. Percent of female loan repayment% iii. Percent of male loan repayment%	
7.	On a scale from 1 to 5 (1= less important, 5 very important), how would the senior management of the institution rate the following possible objectives for their institution: i. Financial Sustainability of the institution..... ii. Outreach to the Poor..... iii. Outreach to the Poorest of the Poor..... iv. Positive impact on income of clients..... v. Positive impact on education and social status of clients and their family.....	

48.	<p>What social rights and responsibilities does the spiritual development program emphasize and educate on its member clients?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	
49.	<p>Does your institution have its own <i>Shari'ah</i> supervisory board ?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	
50.	<p>If No, what is the reason?</p> <p>.....</p> <p>.....</p> <p>.....</p>	
51.	<p>What alternative approach do you use to supervise the <i>Shari'ah</i> compliance of the institution?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	
52.	<p>What are the major challenges your institution face?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	
53.	<p>In your opinion, what are the best possible initiatives to overcome or mitigate those challenges?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	

Many thanks for your cooperation, Wassalaamu Alaikum

For further queries, please contact the author;

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